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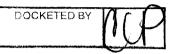
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Roger K. Ferland (No. 003787) Attorney for Proposed Intervenor PG&E National Energy Group



BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE ARIZONA PUBLIC SERVICE COMPANY'S REQUEST FOR A VARIANCE OF CERTAIN REOUIREMENTS OF A.A.C. R14-2-1606

Docket No. E-01345A-01-0822

APPLICATION OF PG&E NATIONAL ENERGY GROUP FOR LEAVE TO **INTERVENE** 

Pursuant to Arizona Administrative Code ("A.A.C.") R14-3-105, PG&E National Energy Group ("NEG") hereby moves the Commission for leave to intervene in the above-captioned proceeding.

NEG develops, owns and operates electric generating facilities throughout North America, including the Harquahala Generating Plant (the "Plant") now under construction and its associated transmission lines. The Plant is located just west of the Palo Verde Nuclear Generating Station and is scheduled for full commercial operation in mid 2003. As a merchant plant, the Harquahala Generating Plant's sole purpose is to sell its firm output in a competitive wholesale market for electric power.

NEG fully supports and has participated in the development of the Commission's Retail Electric Competition Rules, A.A.C. R14-2-201 et seq. ("Electric Competition Rules"). The Commission's Decision No. 61973 (the "Decision"), which approved the Settlement Agreement

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dated May 14, 1999, as amended, between Arizona Public Service Company ("APS") and various parties (the "Settlement Agreement"), was a significant step in creating the conditions necessary for a competitive market for electric power in Arizona. NEG has directly relied on the Commission's Decision and specifically the requirement that APS "procure generation for Standard Offer customers from the competitive market as provided for in the Electric Competition Rules." See Addendum to Settlement Agreement, ¶ 5.(4.1.(3)). Indeed, NEG intends to be one of many bidders seeking to provide power to APS through a long-term purchase power contract. Accordingly, the APS variance request and proposed form of Purchase Power Agreement ("PPA"), if approved, will have a significant and devastating financial and operational impact on the Plant. Not only will NEG be denied any meaningful opportunity to compete for the chance to provide power to APS, but it will also suffer severe financial impacts from reduced revenues and increased unit costs if the APS request is granted. For example, if approved, the APS request will cut NEG and other generators out of a large share of the long-term wholesale market and will force the Plant to compete for a reduced share of the remaining wholesale sales market, i.e., the short-term market. In addition, the APS variance request and PPA, if granted, will most likely result in Pinnacle West's new Red Hawk Plant and their other existing generating resources having priority and other advantages as far as access to constrained transmission line capacity from the Palo Verde switchyard into the Phoenix metropolitan area.

NEG has already incurred tens of millions of dollars in costs in order to design, permit and begin the construction of the Harquahala Generating Plant and, in reliance on the Electric Competition Rules, in particular A.A.C. R14-2-1606(B), has committed to investing in excess of an additional one-half billion dollars to gain access to the Arizona market. Accordingly, NEG

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1	will be directly and substantially affected by any decision of the Commission in these
2	proceedings. Moreover, the granting of intervenor status to NEG will not unduly delay the
3	proceedings or cause the issues to be unduly broadened.
5	NEG requests that all communications in connection with the above-captioned
6	proceedings be directed to:
7	Roger K. Ferland, Esq.
8	Quarles & Brady Streich Lang LLP Renaissance One
9	Two North Central Avenue Phoenix, AZ 85004-2391
10	For the reasons discussed above, NEG respectfully requests that it be granted leave to
11	intervene in these proceedings, and that NEG be accorded full status of an intervenor under the
12 13	Commission's rules and regulations.
14	RESPECTFULLY SUBMITTED thisday of November, 2001.
15	QUARLES & BRADY STREICH LANG LLP
16	Renaissance One Two North Central Avenue
17	Phoenix, AZ 85004-2391
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19	By Koga Ferland
20	Roger K. Ferland
21	Attorney for Proposed Intervenor PG&E National Energy Group
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1	Original and 10 copies
2	hand-delivered this <u>19th</u> of November, 2001 to:
3	Docket Control
4	Arizona Corporation Commission 1200 West Washing Street
5	Phoenix, AZ 85007
6	Copy of the foregoing hand-delivered this 19th
7	day of November, 2001 to:
8	Lyn Farmer Chief Administrative Law Judge
9	Hearing Division Arizona Corporation Commission 1200 West Washington Street
10	Phoenix, AZ 85007
11	Chris Kempley, Chief Counsel Legal Division
12	Arizona Corporation Commission 1200 West Washington Street
13	Phoenix, AZ 85007
14	And a copy mailed this 19th day of November, 2001 to:
15	Thomas L. Mumaw, Esq.
16	Jeffrey B. Guldner, Esq. Snell & Wilmer
17	One Arizona Center Phoenix, AZ 85004-2202
18	Attorneys for APS
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20	Bx Sarah Menne
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